

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-06 IO-04 ISO-00 AID-05 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05

SS-15 STR-01 CEA-01 L-01 H-01 PA-01 PRS-01 USIA-06

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FM AMEMBASSY BERN

TO SECSTATE WASHDC 9786

INFO AMEMBASSY TEL AVIV

USMISSION GENEVA

AMCONSUL ZURICH

LIMITED OFFICIAL USE BERN 4126

E.O. 11652: N/A

TAGS: EFIN, IS, SZ

SUBJECT: INTERNATIONAL CREDIT BANK/GENEVA

REF: A) TEL AVIV 6292; B) STATE 236649; C) BERN 3940

1. BEGIN UNCLASSIFIED. INTERNATIONAL CREDIT BANK (ICB)
OF GENEVA TEMPORARILY CEASED NORMAL BUSINESS ACTIVITY ON
OCTOBER 8 AND APPLIED TO GENEVA COURT FOR MORATORIUM UNDER
PROVISIONS SECTIONS XII OF SWISS FEDERAL BANKING LAW.
(INFORMAL ENGLISH TRANSLATION-AVAILABLE FROM UNION BANK OF
SWITZERLAND.) COURT APPOINTED AUDITING FIRM OF REVISA TREUHAND,
ALPENSTRASSE 12, ZUG AS PROVISIONAL COMMISSIONER PENDING
DECISION ON MORATORIUM REQUEST. BCI IS APPARENTLY NOT ANSWERING
LETTERS, OR CABLES FROM DEPOSITORS, AND PRESS REPORTS IT
RELEASED 41 EMPLOYEES ON OCTOBER 30. DECISION ON
MORATORIUM BY GENEVA COURT EXPECTED SHORTLY. END
UNCLASSIFIED.

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2. BEGIN LIMITED OFFICIAL USE. EMBASSY HAS RECEIVED A FEW INQUIRIES FROM U.S. CITIZEN DEPOSITORS IN ICB. TO BETTER INFORM OURSELVES RE SITUATION, EMBOFFS MET NOVEMBER 1 WITH DR. DANIEL BODMER, SECRETARY, SWISS FEDERAL BANKING COMMISSION. (PLEASE PROTECT BODMER AS SOURCE OF FOLLOWING.) BODMER SAID THAT COMPUTER MALFUNCTION, NEED OBTAIN DATA FROM AFFILIATES IN LONDON AND LUXEMBOURG, AND GENERALLY CHAOTIC CONDITIONS IN ICB HAD CAUSED DELAYS IN PREPARATION BY ICB OF STATEMENT OF CONDITION. HOWEVER, COMMISSION HAD NOW RECOMMENDED TO COURT THAT MORATORIUM REQUEST BE APPROVED. SWISS NATIONAL BANK, WHICH ALSO GIVES ADVISORY OPINION IN MORATORIUM SITUATIONS, HAD NOT YET RESPONDED TO COURT. BODMER THOUGHT PUBLIC ACCOUNTING FIRM OF DELOITTE, HASKINS & SELLS MIGHT WELL BE APPOINTED MORATORIUM COMMISSIONER.

3. BANKING COMMISSION'S JUSTIFICATION FOR RECOMMENDING MORATORIUM BASED ON PRELIMINARY READING FROM STATEMENT OF CONDITION THAT DEPOSITS WOULD BE COVERED BY ASSETS. HOWEVER, BODMER ESTIMATED THAT SOME 80 PERCENT OF ASSETS WERE LOCATED OUTSIDE SWITZERLAND AND WAS NOT SURE THEY ALL RECOVERABLE. HE EXPRESSED PERSONAL GUESS THAT ONE-YEAR MORATORIUM WOULD NOT LEAD TO BANK REORGANIZATION OR RECONSTITUTION EVEN IF GOVERNMENT OR SOME OTHER SOURCE OF ISRAEL SHOULD MAKE FINANCIAL CONTRIBUTION, BUT THAT LIQUIDATION OR BANKRUPTCY WILL BE ULTIMATE RESULT. BODMER SAID THAT LIECHTENSTEIN HOLDING COMPANIES HAD BEEN USED PRIMARILY AS CHANNEL FOR ICB INVESTMENTS IN ITALY. SINCE ROSENBAUM HAD BECOME SWISS CITIZEN, BODMER ACKNOWLEDGED THAT BANK WAS CLEARLY SWISS ENTITY EVEN THOUGH MOST DEPOSITORS AND LOANS LOCATED ABROAD.

4. WITH REGARD TO HESSISCHE LANDESBANK (HLB) ROLE, BODMER NOTED THAT ONLY FEW DAYS PRIOR TO OCTOBER 8 FRANKFURT BANK SAID IT WOULD STAND BEHIND ITS SHARE IN ICB. BODMER THOUGHT ITS ABRUPT WITHDRAWAL HAD CLEARLY PRECIPITATED CLOSING OF ICB DOORS AND THAT IT WAS SHARP ABOUT-FACE BY HLB HE FOUND SOMEWHAT UNUSUAL.

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